

The Treasury

Urban Growth Agenda: Proposed Approach for Infrastructure Funding and Financing Information Release

December 2019

This document has been proactively released by **Hon Phil Twyford, Minister of Housing and Urban Development** on the Treasury website at

<https://treasury.govt.nz/publications/information-release/infrastructure-funding-finance>

Cabinet Document Details

Title: **Cabinet Minute: DEV-18-MIN-0211: Urban Growth Agenda: Proposed Approach for Infrastructure Funding and Financing**

Date: **14 September 2018**

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[34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions

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Cabinet Economic Development Committee

Minute of Decision

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Urban Growth Agenda: Proposed Approach for Infrastructure Funding and Financing

Portfolio **Housing and Urban Development**

On 19 September 2018, the Cabinet Economic Development Committee (DEV):

Background

- 1 **noted** that the high cost and shortage of housing is partly due to deep seated problems with the operation of New Zealand's urban land markets and how infrastructure is planned, funded, and financed;

Financing: alternative financing models

- 2 **noted** that there is a need for legislative change should Ministers wish to create alternative financing models;
- 3 **directed** Treasury and the Department of Internal Affairs to report back to DEV on the scope of a legislative and policy reform programme to enable new alternative financing models, such as special purpose vehicles;
- 4 **directed** Treasury to undertake targeted engagement with Auckland, Hamilton, Tauranga, Christchurch, Queenstown and Wellington local authorities, and to report back to relevant Ministers with options for alternative financing model pilot projects;
- 5 **directed** Treasury to work immediately with Auckland Council on preparing a rating agency assessment, that may include use of work undertaken by Auckland Council on the Central Interceptor project;
- 6 **directed** Treasury to undertake work on establishing the market-facing entity that can facilitate the alternative financing models;
- 7 **directed** Treasury to report back to DEV by early 2019 on the outcome of the work undertaken on alternative financing models;
- 8 **noted** that the view of the Credit Rating Agencies and Office of the Auditor General will be a critical milestone in establishing the viability and structure of alternative financing options;

Financing: expanding local authority borrowing

- 9 **directed** Treasury to commence a work programme with local authorities and the Local Government Funding Authority to investigate easing the Funding Authority's debt covenants;
- 10 **directed** the Department of Internal Affairs to review the debt servicing benchmark of the Local Government (Financial Reporting and Prudence) Regulations 2014 (the Benchmarking Regulations) with the intention of removing it entirely;

Funding

- 11 **noted** that the majority of work on new or existing funding tools are being actively managed by other workstreams;
- 12 **directed** the Treasury and the Department of Internal Affairs to undertake targeted engagement with high growth local authorities around the legislative and behavioural constraints to recovering the cost of infrastructure for new developments through development contributions and targeted rates, and to report back to relevant Ministers with options for legislative reform;

Strategy

- 13 **noted** that the Ministry of Business, Innovation and Employment is leading work on measuring and options for recovering the wider local and central government infrastructure costs which result from greenfield and brownfield developments, as part of the Urban Growth Agenda;
- 14 **noted** that these wider costs should be properly taken into account so that the true costs of growth are transparent and shared by the appropriate beneficiaries;
- 15 **noted** that this work should form part of the assessment when determining the allocation of costs to pilot projects in alternative financing models, but that care needs to be taken in the transitional pilots so as not to load a burdensome share in comparison to existing funding and financing methods;
- 16 **noted** that a package deal may need to be struck between central and local authorities to encourage behavioural changes in the sector, ^[34]
[34]
- 17 **noted** that the only approach likely to effect immediate change to infrastructure provision will be full central government funding and financing bulk infrastructure;
- 18 **noted** that officials will not consider central government funding and financing bulk infrastructure unless it receives specific instructions from Ministers to do so;

Financial implications

- 19 **noted** that the cost of the Infrastructure Funding and Financing work programme is expected to be up to \$8 million over 2018/19 and 2019/20;
- 20 **noted** that there is currently \$600 million appropriated for Crown Infrastructure Partners, and that up to \$8 million can realistically be reprioritised in a fiscally neutral manner to the Infrastructure Funding and Financing work programme;

- 21 **agreed** that up to \$8 million of funding currently allocated to Crown Infrastructure Partners be reallocated to enable the Infrastructure Funding and Financing work programme to proceed;
- 22 **authorised** the Minister of Finance and the Minister of Housing and Urban Development to jointly make the necessary changes to appropriations (including establishing any new appropriations as necessary) to give effect to paragraph 21 above.

Janine Harvey
Committee Secretary

Present:

Rt Hon Winston Peters
Hon Kelvin Davis
Hon Grant Robertson (Chair)
Hon Phil Twyford
Hon David Parker
Hon Stuart Nash
Hon Iain Lees-Galloway
Hon Jenny Salesa
Hon Damien O'Connor
Hon Kris Faafoi
Hon Willie Jackson
Hon James Shaw
Hon Eugenie Sage

Officials present from:

Officials Committee for DEV

Hard-copy distribution:

Minister of Housing and Urban Development